

General Assistance Economic Services Administration Caseload Forecasts Year in Review

JUNE 2005 THROUGH FEBRUARY 2006



STATE OF WASHINGTON • CASELOAD FORECAST COUNCIL

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CFC FORECAST YEAR IN REVIEW:

General Assistance

Economic Services Administration

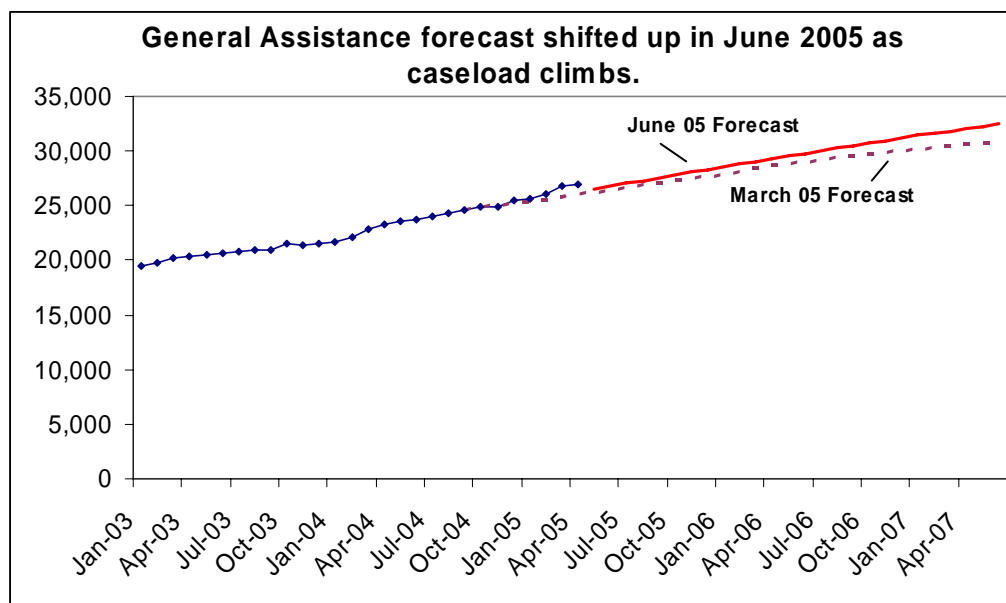
June 2005 Through
February 2006

The Year in Review provides a broad overview of the major forecast changes that have occurred over the past three forecast cycles. This report details changes from the June 2005 forecast through the February 2006 forecast.

The CFC produces forecasts of the General Assistance (GA) caseload. The GA program is administered within the Economic Services Administration of the Department of Social and Health Services (DSHS).

The GA program provides cash assistance to adults who cannot work and do not have dependent children. This program provides two types of assistance. One is for a temporary disability that is expected to last at least 90 days but usually less than a year. The second type of assistance is for those with a disability expected to last over a year and who are presumptively eligible for Social Security Insurance (SSI). All recipients in the second program must apply for SSI and remain in the program until a decision is made on their SSI application.

June 2005

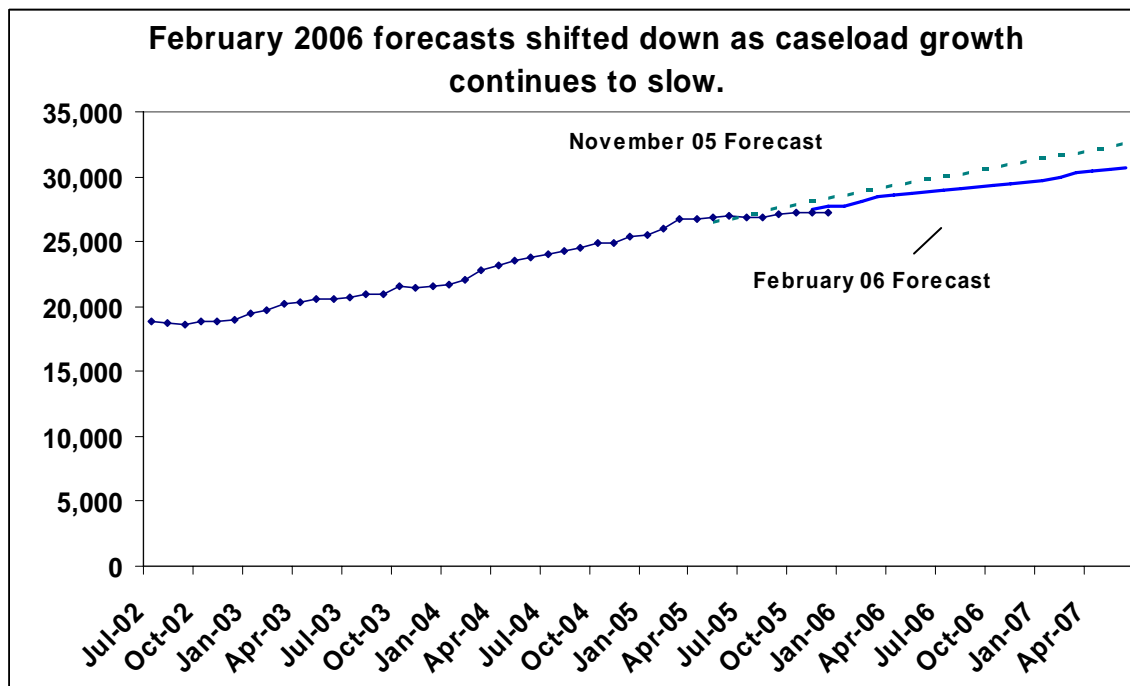


The forecast, which had not been adjusted in March 2005, was raised in June as the caseload continued to run higher than the forecast (3.6 percent above forecast in March 2005 and 2.9 percent above forecast in April 2005). The new forecast was a simple trend over the period from January 2003 through February 2005. The caseload often takes a seasonal jump up in March and is then followed by slower growth for the next few months. Thus, a more accurate long-term trend is derived by excluding this last seasonal blip.

An item passed in the 2005 biennial budget called for slower caseload growth due to increased efforts to move people out of the General Assistance-Unemployable caseload and into employment and other programs. As of June 2005, DSHS had received an extra appropriation to increase naturalization services for GA recipients. A small step was added in to lower the forecast, mostly impacting 2006, due to increased naturalization.

November 2005 to February 2006 Forecast Changes

By November 2005, caseload growth had appeared to have slowed below the predicted growth in the forecast. The caseload was still tracking very closely to the forecast, however, since it had started out above the forecast. It was decided to wait for more data and not to make any changes in the forecast in November.



New caseload data after July 2005 continued on a slower growth path. While the average monthly growth rate between January 2003 and March 2005 was 1.2 percent, the growth rate between March and November 2005 had fallen to 0.2 percent.

Two models were run for the February forecast. The first was an ARIMA model that more heavily weighted the recent growth slowdown. The second model was a simple trend from January 2003 through November 2005. The resulting February 2006 forecast was the average of these two, which to some extent balanced the risk that the caseload would revert to the longer-term growth trend against the possibility that a permanent shift in the growth rate had occurred.

The future:

No definitive explanation had been found for the growth slowdown observed in the caseload after March 2005. Three possible explanations emerged:

- 1) First, a new six-month report had been introduced for GA recipients. This report might be confusing some clients causing them to unintentionally exit the caseload. This would be expected to be a temporary slowdown as clients would become familiar with the new report over time.

This explanation though has significant weaknesses. It would be expected that when someone exited the caseload unintentionally, they would then reinstate themselves. Some of this population is transient and may have mental illnesses that hinder them from working through the system. It is hard to believe though that a steady share of the population would now lose benefits each month.

There was also no resumption in caseload growth even six months after the new reports had been introduced in April 2005. Eventually we would have expected recipients to adapt, at least in part, to this new report.

Exit rates did rise in early 2005, but they only recovered from a decline in late 2004. Current exit rates are not unusually high.

- 2) A second explanation would be that there was a permanent change at DSHS that occurred in April 2005. New leadership did come to DSHS at that time along with a new Governor. While there was no official change in policy that was predicted to have an impact on GA, there could have been some change at DSHS that had an unrecognized effect (from our perspective) on the GA caseload. This theory is hard to discount, but a factor that had such a significant impact on the caseload would likely be identified over time.
- 3) Another explanation is that something happened out in society that affected demand for GA. The population from which the GA population is drawn is very diverse, and only a pervasive phenomenon would be likely to affect this population broadly across the state. The impact was also seen in the caseload very suddenly from March to April 2005, so it would have to have been something that happened in March or April 2005. Although the improvement in the economy was a pervasive effect, it did not happen all at once so it is an unlikely explanation for the slowing in the caseload growth rate. We have not been able to identify any other factor that would have caused recipients to exit more quickly from this caseload.

The lack of a definitive explanation for a change in growth rate supports a conservative forecast in February 2006 that balances the risks of both under and over forecasting.

**General Assistance:
February 2006 Forecast Compared to June and November 2005 Forecasts**

Forecast Comparison									Caseload Change			
					Percent		Percent		Fiscal Year	Annual Change	Percent Change	
	Actual	Jun 05	Nov 05	Feb 06	Change from Nov 05	Change from Nov 05	Change from Jun 05	Change from Jun 05				
GA Cash Grant	FY02	19,934							02-03	-447	-2.2%	
	FY03	19,487							03-04	2,542	13.0%	
	FY04	22,028							04-05	3,548	16.1%	
	FY05	25,576							05-06	2,221	8.7%	
	FY06		28,427	28,427	27,798	-630	-2.2%	-630	-2.2%	06-07	1,981	7.1%
	FY07		31,275	31,275	29,778	-1,497	-4.8%	-1,497	-4.8%			

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